GOVERNMENT OF INDIA
POWER
LOK SABHA

STARRED QUESTION NO:422
ANSWERED ON:24.08.2000
COUNTER GUARANTEE TO 1000 MW POWER PROJECT
ASHOK KUMAR PATEL;RAMPAL SINGH

Will the Minister of POWER be pleased to state:

(a) whether the Government propose to provide counter-guarantee for the various 1000 Megawatt Power Projects;

(b) if so, the details thereof; and

(c) the time by which the final decision is likely to be taken in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF POWER (SHRIMATI JAYAWANTI MEHTA)

(a) to (c): A Statement is laid on the Table of the House.

STATEMENT

STATEMENTREFERREDTO IN REPLY TO PARTS (a) TO (c)OF STARREDQUESTIONNO.422 TO BE ANSWERED IN THE LOK SABHA ON 24.8.2000 REGARDING COUNTER GUARANTEE TO 1000 MW POWER PROJECT.

(a) to (c) : Government of India (GoI) announced apolicy in 1991 aimed at encouraging the flow of private capital to the power sector. This was due, among other reasons, to insufficient resource generation and dwindling budgetary support in the face of very large investment requirements in the power sector. To instil confidence among the private power developers, GoIconsidered issuing counter guarantees to private power projects that were identified a s developing rapidly. This counter guarantee was a financial comfort to the investors that, in case the State Electricity Boards, failed to pay for the power purchased from private generators in accordance with the Power Purchase Agreement (PPA) and the concerned State Government thereafter did not honour its guarantee, GoI would make payments and deduct the sum from the Central devolution to the State.

The GoIcounter-guarantee scheme was developed as a transitory measure to encourage private investment and it was decided in 1994 to extend GoIcounter-guarantee to eight initial projects that had been cleared for bringing in foreign investment in the power sector. These include three projects having a capacity of more than 1000 MW. The details of these three projects are given below:

S.No.	Name of the project	Capacity (MW)	Estimated completed cost (as per techno-economic clearance given by CEA)
1.	Visakhapatnam Thermal Power Project, Andhra Pradesh (@ 1 US$=Rs.35.00)	1040	US$ 943.75 million + Rs.1324.993 crores
2.	Mangalore Thermal Power Project, Karnataka. (@ 1 US$=Rs.31.50)	1013.2	US$ 751.574 million + Rs.1580.89 crores
3.	Bhadravati Thermal Power Project, Maharashtra.	1082	Rs.5187 crores.

On 16.5.1998, the Government approved extension of counter-guarantee in the case of the Visakhapatnam Thermal Power Project (1040 MW) of M/s Hinduja National Power Company Limited (HNPCL) in Andhra Pradesh and the Bhadravati Thermal Power Project (1082 MW) of M/s Central India Power Company (CIPCO) in Maharashtra. GoI counter-guarantee to these projects have been issued in August, 1998. The issue of counter-guarantee of GoI was approved on 22.12.1999 in the case of the Mangalore Thermal Power Project (1013.2 MW) of M/s Cogentrix Energy Inc. in Karnataka.